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**WEST HIGHLAND HOUSING ASSOCIATION LIMITED**  
**Report and Financial Statements**

**For the year ended 31 March 2020**

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Registered Housing Association Number HEP 163  
Financial Conduct Authority Number 1691R(S)  
Charity Number SC017357

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## INFORMATION

### Registered Office

Crannog Lane, Oban, Argyll, PA34 4HB

### Registration Numbers

Financial Conduct Authority number	1691RS
The Scottish Housing Regulator reference	HEP 163
Scottish Charity number	SC017357

### Management Board

Douglas Mackie	Chair
James Tolmie	
Donald Harrison	Secretary
David Bittleston	
Gerry Boyle	Vice chair
Jack Degnan	
Mark Feinmann	
Linda Houston	
Kirsteen MacKenzie	
Sine MacVicar	appointed 8 August 2019
Elaine Robertson	resigned 8 August 2019
David Sloss	
Torquil Telfer	
Councillor Andrew Vennard	council nominee
Councillor Anne Horn	council nominee

### Chief Executive (not a member of the Management Board)

Lesley McInnes

### Auditor

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

### Accountant

David Smith, Chartered Accountant  
Keppoch  
Croft Road  
Oban

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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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### INFORMATION

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#### Internal Auditor

Scott Moncrieff  
25 Bothwell Street  
Glasgow

#### Bankers

Santander  
Corporate and Commercial  
Customer Service Centre  
Bootle  
Merseyside

Bank of Scotland  
Station Road  
Oban

Clydesdale Bank  
6 Argyll Square  
Oban

Nationwide Building Society  
Commercial Division  
Caledonia House  
Carnegie Avenue  
Dunfermline

Royal Bank of Scotland  
Corporate Banking  
Glasgow & West of Scotland  
Kirkstane House  
139 St Vincent Street  
Glasgow

CAF Bank  
25 Kings Hill Avenue  
Kings Hill  
West Malling  
Kent

#### Solicitors

T C Young  
7 West George Street  
Glasgow

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2020

The Management Board presents its report and audited financial statements for the year ended 31 March 2020.

### Legal Status

West Highland Housing Association (the Association) is a registered non-profit making body organisation under the Co-operative and Community Benefit Societies Act 2014 No. 1681R(S).

The Association is governed under its Rule Book and registered with the Financial Conduct Authority, the Scottish Housing Regulator as a Registered Social Landlord and with the Office of the Scottish Charities Regulator as a charity.

### Principal Activity

Our principal activity is the provision of affordable, well maintained, high quality housing in the Oban, Lorn and Island area. In doing this we support fragile communities within our local area.

### Mission, Objectives and Values

At the start of 2018 the Association's Board reviewed our Mission, Objectives and Values. There was some change in part to reflect that we are part of the wider Link Group whose objectives are:

- Providing Homes
- Building Communities
- Valuing People
- Working Together

### Our Mission is:

Supporting our communities by providing and maintaining quality neighbourhoods and homes for life.

### Strategic Objectives

The Association plans activities around the following strategic objectives:

Objective 1	Provision of high-quality homes
Objective 2	Deliver excellent services
Objective 3	Keep the organisation safe and secure
Objective 4	Value our people
Objective 5	Promote positive partnerships

### Values

1. Approachable
  2. Fair
  3. Honest
  4. Listening
  5. Supportive
  6. Collaborative and
- We will make a difference

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2020

### Management Board and Executive Officers

The members of the Management Board and the Executive Officers are listed on page 1.

Each member of the Management Board holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Board. The members of the Management Board are also Trustees of the Charity. Members of the Management Board are appointed by the members at the Association's Annual General Meeting.

### Corporate Structure

West Highland Housing Association is a subsidiary of Link Group Ltd (the Group), a Registered Social Landlord. Ultimate responsibility for the conduct and the control of the Group and its subsidiaries rests with the Link Group Board, while an Independence and Responsibilities Agreement sets out conditions for the autonomous operation of the Association within the Group.

### Corporate Governance

Over the last year Link Group has embarked on reviewing Group Governance. This work in 2019/20 centred around renewing the Independence Agreement. The West Highland Board agreed the changes and there is a new signed agreement that reflects the Scottish Housing Regulator's regulatory framework and the corporate working within Link Group.

As part of the wider changes, West Highland will nominate a Board Member to be part of the Link Group Board. This will be done at the AGM in August 2020.

During the year we worked with Link colleagues on the Annual Assurance Statement so there was a process across the Link Group. Our work with the Board centred around identifying where there were weaknesses, but these were not material.

At the Board Away Day there was discussion around the present mission, objectives and values. This discussion in part was how this fitted within the larger Link Group. At this stage the Board felt that the existing framework should remain but as we moved to a closer relationship within the Link Group then the discussions around mission, objectives and values would develop. At the away day the Board were joined by the Link Group CEO and the Link Group Director of Finance and Corporate Services.

Link Group have embarked on 4 strategies that are viewed as key success areas for the future:

- Central Services
- Link Living
- Commercial
- Housing

WHHA is working with housing colleagues across the Group developing a shared approach for housing services going forward. This will decrease duplication across organisations and develop a common housing narrative across the 4 RSL's - Link, Horizon, Larkfield and West Highland.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2020

### **Risk**

As part of the Link Group we share their risk approach. The Group risks are discussed at the Link Group Senior Management Group. WHHA provide the Board with a risk register which is similar to that of Link Group.

### **Financial Performance**

The financial statements reflect the requirements of the Statement of Recommended Practice for registered social housing providers, the Housing SORP 2018.

The financial statements show total comprehensive income for the year of £1,062,202 (2019: £664,088). There was a small increase in the operating surplus for the year but the more significant increase in total comprehensive income arises from the positive impact of the remeasurement of the pension liability.

Turnover increased in the year to £6,148,835 from £5,717,047 in 2019. The increase is partly due to the annual increase in rents from April 2019 but the main difference was the increase of income from the sale of shared equity properties which amounting to £693,375 for 2020 compared to £362,960 for 2019.

The Association's core income from property rents increased by 4.2% to £3,873,369 from £3,715,038, reflecting rent increases, which took effect in April 2019, together with new rental income from the properties completed in the year.

At 31 March 2020 the Association's reserves stood at £8,502,348 (2019: £7,440,146).

The Management Board consider that these reserves are necessary to fund the cost of future major repairs and improvements to the Association's housing properties.

### **Financing and Liquidity**

The Association manages its borrowings and cash investments in accordance with the Treasury Management Policy approved by the Management Board. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association does not enter into transactions of a speculative nature. At 31 March 2020, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time. This is constantly under review and is considered alongside potential interest rate increases.

### **Properties in Management**

The Association had 811 properties as of 31<sup>st</sup> March 2020 including 16 shared ownership properties. It has a further 83 properties which it manages on behalf of Link and a further 169 that are factored.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2020

### Development

As at 31 March 2020 the Association has houses under construction at:

- Barcaldine – 10 properties: 6 social rent and 4 shared equity
- Port Ellen, Islay - 8 properties: 2 social rent and 6 shared equity
- Jura - 10 properties for social rent.

These schemes will complete during the next financial year.

### Performance

The Board monitors performance in terms of finance, operations, business services and asset management. A range of financial and non-financial ratios and indicators are produced on a quarterly basis which are used to monitor how the organisation is performing and, more importantly, initiate corrective action in under-performing areas.

The Association reports to the Scottish Housing Regulator each year on performance that is required for the Annual Return on Charter. To ensure the Board has some external assurance regarding the data an external validator is used. This provides some additional assurance for the Board but also provides the staff team with challenge around their understanding of ARC definitions and their collection of data.

This year our performance, on the whole, has either improved or remained at a similar level to last year. There are two areas where this has not happened one being staff turnover and sickness and the second is around repairs and maintenance where tenant satisfaction has decreased. In terms of staff turnover and sickness then the year has seen staff moving for good reasons.

### Maintenance

The Association has taken a prudent approach in terms of its planned maintenance both in the short/medium term and over the 30 years of the Business Plan. There are a number of legislative changes/good practice issues that will increase our maintenance costs in the coming years, these include the new fire detection legislation, the new Energy requirements and potentially changes to electrical testing. We have plans in place to meet the new fire detection requirement by February 2021. In relation to the new energy requirements we are in the process of modelling this across our stock but the Association was successful in receiving Scottish Government funding for decarbonisation and this will help us change older electrical heating systems to modern controllable storage “heat pump” systems. This will impact on 170 properties.

### Management Board

On an operational day to day basis the Association is managed by a CEO who reports to the Management Board. Board Meetings are held approximately every 6 weeks and there are separate Corporate Services, Strategic Risk and Health and Safety Committees.

The Board sets the strategic direction of the organisation and monitors the operational activities. There are 12 places for Board Members and as at the year end, we have 1 co-optee, and 11 Board Members. The Council may appoint 2 people to the Board and they have appointed elected members to the Board - Councillor Andrew Vennard and Councillor Anne Horn.

The members of the board during the last year have been detailed on page 1 of these financial statements.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2020

### Information for auditor

As far as the Management Board is aware, there is no relevant audit information of which the auditor is unaware and the Management Board has taken all the steps it ought to have taken to make itself aware of any relevant audit information and to ensure that the auditor is aware of any such information.

The members of the Board of Management who held office at the date of approval of this report of the Board of Management confirm that, so far as they are aware, there is no relevant audit information of which the Association's auditor is unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

### Going Concern

The Management Board has reviewed the results for this year and has also reviewed the projections for the next five years. Although there are some uncertainties arising as a result of the Covid-19 pandemic, these are not considered to be material and the Management Board, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

### Auditor

A resolution to re-appoint the Auditor, KPMG LLP, will be proposed at the Annual General Meeting.

This report was approved by the board on 26 August 2020.

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### STATEMENT OF MANAGEMENT BOARD'S RESPONSIBILITIES in respect of the Report of the Management Board and the Financial Statements 31 March 2020

The Management Board is responsible for preparing the report of the Management Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Management Board to prepare financial statements for each financial year. Under those regulations the Management Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period.

In preparing these financial statements, the Management Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The Management Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

This statement was approved by the board on 26 August 2020 and signed on its behalf.

Board Member

DocuSigned by:

*Douglas Mackie*

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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### MANAGEMENT BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL 31 March 2020

The Management Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Board's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Board;
- the Management Board receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2020. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the independent auditor's report on the financial statements.

This statement was approved by the board on 26 August 2020 and signed on its behalf.

Board Member

DocuSigned by:

*Douglas Mackie*

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITOR'S REPORT TO WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### Opinion

We have audited the financial statements of West Highland Housing Association Limited ("the association") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including the accounting policies in note 1

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2020 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2012, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulation 2006 (as amended).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation.

### Other information

The association's Board is responsible for the other information, which comprises Report of the Management Board, Statement of Management Board's and the Financial Statements and Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### INDEPENDENT AUDITOR'S REPORT TO WEST HIGHLAND HOUSING ASSOCIATION LIMITED (continued)

#### Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 9 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

#### Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

#### Board's responsibilities

As more fully explained in their statement set out on page 8, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

#### Independent auditor's report to West Highland Housing Association Limited (continued)

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO WEST HIGHLAND HOUSING ASSOCIATION LIMITED (continued)

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#### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed

DocuSigned by:

*Debra Chamberlain*

6827073741527433

**Debra Chamberlain**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

*KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006*

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

21/9/2020 | 13:45 BST

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2020

	Notes	£	2020 £	£	2019 £
<b>Turnover</b>	2		6,148,835		5,717,047
Operating costs	2		<u>(4,849,694)</u>		<u>(4,442,480)</u>
<b>Operating surplus</b>	2		1,299,141		1,274,567
Interest receivable and other income		47,344		31,779	
Interest and financing costs		(493,283)		(504,258)	
Other finance charges		<u>(8,000)</u>		<u>(11,000)</u>	
			<u>(453,939)</u>		<u>(483,479)</u>
<b>Surplus on ordinary activities before tax</b>			845,202		791,088
Taxation			<u>-</u>		<u>-</u>
<b>Surplus for the year</b>			845,202		791,088
Actuarial gains/(losses) on defined benefit pension plan			<u>217,000</u>		<u>(127,000)</u>
<b>Total comprehensive income for the year</b>			<u><u>1,062,202</u></u>		<u><u>664,088</u></u>

The notes on pages 17 to 39 form part of the financial statements.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION as at 31 March 2020

	Notes	£	2020 £	£	2019 £
<b>Non-Current Assets</b>					
Housing property - depreciated cost	11		67,639,285		67,412,919
Other non-current assets	12		<u>1,311,146</u>		<u>1,355,805</u>
			68,950,431		68,768,724
<b>Investments</b>					
Investment in subsidiaries	13		<u>1</u>		<u>1</u>
			68,950,432		68,768,725
<b>Current Assets</b>					
Development cost of housing property	14	676,629		568,061	
Receivables	15	697,227		1,300,587	
Investments		4,069,093		4,041,173	
Cash at bank and in hand		<u>1,918,802</u>		<u>2,535,725</u>	
		7,361,751		8,445,546	
<b>Creditors: amounts falling due within one year</b>					
	16		<u>(4,671,185)</u>	<u>(4,073,622)</u>	
<b>Net Current Assets</b>					
			<u>2,690,566</u>		<u>4,371,924</u>
<b>Total Assets less Current Liabilities</b>					
			71,640,998		73,140,649
<b>Creditors due after one year</b>					
	17		(12,934,080)		(14,620,134)
<b>Deferred income</b>					
	18		(50,141,463)		(50,752,254)
<b>Pension liability</b>					
			<u>(63,000)</u>		<u>(328,000)</u>
<b>Net Assets</b>					
			<u>8,502,455</u>		<u>7,440,261</u>
<b>Equity</b>					
Share capital	19		107		115
Revenue reserve	20		<u>8,502,348</u>		<u>7,440,146</u>
			<u>8,502,455</u>		<u>7,440,261</u>

These financial statements were approved by the Management Board on 26 August 2020 and signed on its behalf by:

Board Member	DocuSigned by: <i>Douglas Mackie</i>
Board Member	D297EAB70F3E45E... DocuSigned by: <i>Gerald C J Boyle</i>
Secretary	C744C8E8610D426... DocuSigned by: <i>Donald Harrison</i>

The notes on pages 17 to 39 form part of the financial statements.

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### STATEMENT OF CASH FLOWS for the year ended 31 March 2020

	£	2020 £	£	2019 £
<b>Surplus for the year</b>		845,202		791,088
<i>Adjustments for non cash items</i>				
Depreciation	2,057,942		2,022,045	
Loss on disposal of components	34,446		10,297	
Amortisation of capital grants	(1,307,970)		(1,234,745)	
Gain on disposal of properties	(288,694)		(38,138)	
Share capital written off	(13)		(6)	
Non cash adjustments to pensions	<u>(48,000)</u>		<u>(44,000)</u>	
		447,711		715,453
Interest received		(47,344)		(31,779)
Interest paid		<u>501,283</u>		<u>504,258</u>
<b>Operating cash flows before movements in working capital</b>		1,746,852		1,979,020
Change in properties developed for sale	(108,568)		(255,201)	
Change in debtors	603,360		(678,624)	
Change in creditors	<u>(421,883)</u>		<u>817,995</u>	
		<u>72,909</u>		<u>(115,830)</u>
<b>Net cash inflow from operating activities</b>		1,819,761		1,863,190
<b>Investing activities</b>				
Acquisition and construction of properties	(2,403,778)		(1,319,496)	
Social Housing Grant received	172,256		1,034,702	
Other grant received	598,569		72,000	
Proceeds of disposal of properties	449,377		46,727	
Social Housing Grant repaid	(73,646)		(17,888)	
Interest received on cash	47,344		31,779	
Purchase of short-term investment	(27,920)		(2,015,926)	
Purchase of other fixed asset	<u>(31,000)</u>		<u>(16,216)</u>	
<b>Net cash outflow from investing</b>		(1,268,798)		(2,184,318)
<b>Financing activities</b>				
Interest paid on loans	(501,283)		(504,258)	
Loan advances received	-		1,164,800	
Loan principal repayments	(666,608)		(660,733)	
Share capital issued	<u>5</u>		<u>2</u>	
<b>Net cash inflow on financing</b>		<u>(1,167,886)</u>		<u>(189)</u>
<b>(Decrease)/Increase in cash</b>		(616,923)		(321,317)
<b>Opening cash and cash equivalents</b>		<u>2,535,725</u>		<u>2,857,042</u>
<b>Closing cash and cash equivalents</b>		<u>1,918,802</u>		<u>2,535,725</u>
<b>Cash and cash equivalents at 31 March 2020</b>		<u>1,918,802</u>		<u>2,535,725</u>

The notes on pages 17 to 39 form part of the financial statements.

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2020

	Share capital	Revenue reserve	Total
<b>Balance as at 1 April 2019</b>	115	7,440,146	7,440,261
Issue of shares	5	-	5
Cancellation of shares	(13)	-	(13)
Surplus for financial year	-	845,202	845,202
Remeasurement of the defined benefit pension liability	<u>-</u>	<u>217,000</u>	<u>217,000</u>
<b>Balance as at 31 March 2020</b>	<u><u>107</u></u>	<u><u>8,502,348</u></u>	<u><u>8,502,455</u></u>

The notes on pages 17 to 39 form part of the financial statements.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 1.1 Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for registered social housing providers 2018. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102. The principal accounting policies of the Association are set out in the paragraphs below.

### 1.2 Going Concern

The Management Board has reviewed the results for this year and has also reviewed the projections for the next 30 years. Although there are some uncertainties arising as a result of the Covid-19 pandemic, these are not considered to be material and the Management Board, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

### 1.3 Turnover

Turnover is recognised in the year to which it relates. Turnover represents income from lettings and property management, revenue grants and other income together with the amounts amortised on deferred government grants, which are released to income over the expected useful life of the assets to which they relate.

### 1.4 Social Housing Grants

Social Housing Grants and Other Capital Grants are accounted for using the accrual method as outlined in section 24 of FRS102. Grants are treated as deferred income and recognised as income on a systematic basis over the expected useful life of the property and assets, to which it relates.

Social Housing Grant received in respect of revenue expenditure is credited as income in the same period as the expenditure to which it relates.

### 1.5 Non-government grants

Non-government grants are accounted for using the performance method as outlined in section 34 of FRS 102 and the SORP 2018. Non-government grants are recognised as income when the performance conditions have been met.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 1.6 Pensions

The Association participates in the SHAPS Defined Contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over the employees' working lives with the Association.

In respect of the defined benefit scheme, payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations taken as a whole. In accordance with FRS 102, the Association's share of the scheme assets and liabilities has been separately identified and included in the Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The Association's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension scheme.

### 1.7 Depreciation

#### (i) Housing properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction is not depreciated. The Association depreciates housing properties by major component on a straight-line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Structure	50 years
Roof	45 years
Render	20 years
Heating	15 years
Hot water cylinder	30 years
External doors	20 years
Windows	30 years
Bathroom	30 years
Kitchen	15 years

#### (ii) Other Non-current assets

The Association's assets other than land are written off at rates calculated to write off the cost of each asset less any grant received evenly over their expected useful economic lives as follows:

Office Property -	over 50 years
Furniture & equipment -	20% reducing balance
Motor vehicles	25% reducing balance

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 1.8 Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

### 1.9 Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- a) an increase in rental income or
- b) a material reduction in future maintenance costs or
- c) a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

### 1.10 Stock and work in progress

Completed properties and property under construction for outright sale are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

Shared equity transactions are grants received from the grant awarding body and passed onto an eligible beneficiary. The grant awarding body has a benefit of a fixed charge on the property. This entitles the grant awarding body to a share of the proceeds on the sale of the property by the beneficiary.

### 1.11 Financial instruments - basic

The Association recognises basic financial instruments in accordance with Section 11 of FRS 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

### 1.12 Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 1.13 Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements. First tranche shared ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account, in accordance with the SORP.

Disposals under shared equity schemes are accounted for in the income and expenditure account.

### 1.14 Lease obligations

Rentals paid under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Association, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

### 1.15 Value added tax

The Association is VAT registered and is now included within the Link VAT Group. As the major part of the Association's income is exempt, expenditure is shown inclusive of VAT.

### 1.16 Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Board to exercise judgement in applying West Highland Housing Association's accounting policies. The areas requiring a higher degree of judgement, or complexity and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

#### Rent arrears - bad debt provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place and court action.

#### Life cycle of components

The Association estimates the useful lives of major components of its housing property with reference to experience within the housing association sector and to expected design life for components

#### Useful life of properties plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge for depreciation based on this.

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

#### 1.16 **Estimation Uncertainty** (continued)

##### Development cost of housing property

The Association assesses the value of the work in progress in respect of the development cost of shared equity properties for sale against the expected sale proceeds to establish whether any impairment charge is required

##### Pension scheme liabilities

The SHAPS pension scheme liability is valued in these financial statements by an independent actuary. The assumptions used are reviewed by the Board of Management and considered appropriate. Assumptions include estimates of mortality, salary inflation, inflation and discount rates. There are also judgements in respect of the allocation of assets and liabilities in SHAPS as a multi-employer pension scheme.

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

#### 2. Particulars of turnover, operating costs and operating surplus or deficit

			2020	2019
	Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Affordable letting activities (note 3)	5,170,298	(4,088,466)	1,081,832	1,187,213
Other activities (note 4)	<u>978,537</u>	<u>(761,228)</u>	<u>217,309</u>	<u>87,354</u>
Total for 2020	<u>6,148,835</u>	<u>(4,849,694)</u>	<u>1,299,141</u>	<u>1,274,567</u>
Total for 2019	<u>5,717,047</u>	<u>(4,442,480)</u>	<u>1,274,567</u>	

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

3 Particulars of turnover, operating costs and operating surplus or deficit from affordable lettings activities	General Needs Housing	Shared Ownership Housing	2020 Total	2019 Total
	£	£	£	£
<b>Revenue from lettings</b>				
Rent receivable net of service charges	3,847,936	50,256	3,898,192	3,742,204
Gross income from rent and service charges	3,847,936	50,256	3,898,192	3,742,204
Less: Rent losses from voids	(24,823)	-	(24,823)	(27,166)
<b>Net income from rents and service charges</b>	3,823,113	50,256	3,873,369	3,715,038
Grants released from deferred income	1,290,873	(39,016)	1,251,857	1,234,745
Revenue grants from Scottish Ministers	45,072	-	45,072	48,000
<b>Total turnover from affordable letting activities</b>	<u>5,159,058</u>	<u>11,240</u>	<u>5,170,298</u>	<u>4,997,783</u>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	959,482	12,531	972,013	936,734
Service costs	2,733	-	2,733	9,455
Planned and cyclical maintenance including major repair costs	586,610	-	586,610	494,556
Reactive maintenance costs	492,784	-	492,784	390,097
Bad debts - rents and service charges	17,596	-	17,596	22,784
Depreciation of affordable let properties	1,966,369	15,915	1,982,284	1,946,647
Loss on disposal of components	34,446	-	34,446	10,297
<b>Operating costs of affordable letting activities</b>	<u>4,060,020</u>	<u>28,446</u>	<u>4,088,466</u>	<u>3,810,570</u>
<b>Operating surplus for affordable letting activities</b>	<u>1,099,038</u>	<u>(17,206)</u>	<u>1,081,832</u>	<u>1,187,213</u>
<b>Operating surplus for affordable letting activities for previous year</b>	<u>1,157,529</u>	<u>29,684</u>	<u>1,187,213</u>	

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2020

#### 4 Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other income £	Total turnover £	Other operating costs £	2020 Operating surplus / (deficit) £	2019 Operating surplus / (deficit) £
Wider role activities	38,536	-	38,536	(87,900)	(49,364)	(34,764)
Development and construction of property activities	-	693,375	693,375	(722,814)	(29,439)	47,351
Energy supply	61,543	40,671	102,214	(102,214)	-	9,050
Commercial property income	-	27,401	27,401	(4,110)	23,291	31,180
Biomass boilers	-	46,001	46,001	(46,001)	-	6,960
Agency/management services for other housing associations	-	35,047	35,047	(35,047)	-	-
Donations	-	-	-	(15,875)	(15,875)	(10,561)
Gain on disposal of property	-	-	-	288,694	288,694	38,138
Other income	7,056	28,907	35,963	(35,961)	2	-
	<u>107,135</u>	<u>871,402</u>	<u>978,537</u>	<u>(761,228)</u>	<u>217,309</u>	<u>87,354</u>
Total from other activities for the previous year	<u>78,952</u>	<u>640,312</u>	<u>719,264</u>	<u>631,910</u>	<u>87,354</u>	

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 5 EMPLOYEE INFORMATION

	2020 £	2019 £
Staff costs during year		
Wages and salaries	631,984	600,937
Social security costs	57,812	54,044
Other pension costs	<u>42,108</u>	<u>36,312</u>
	<u>731,904</u>	<u>691,293</u>
The average number of persons employed by the Association during the year were as follows:		
Full time equivalent	<u>20</u>	<u>19</u>

### 6 KEY MANAGEMENT PERSONNEL

Key management personnel are defined as the Chief Executive and Operations Manager.

Aggregate emoluments payable to employees with emoluments greater than £60,000 (excluding pension contributions) were:

	2020	2019
Emoluments (excluding pension contributions)	<u>68,826</u>	<u>65,955</u>
Total emoluments	<u>74,560</u>	<u>71,227</u>
The number of key management personnel whose emoluments exceed £60,000 are shown within the following band		
£60,001 to £70,000	<u>1</u>	<u>1</u>
	£	£
<b>Emoluments payable to Chief Executive</b>		
Emoluments excluding pension contributions	68,826	65,955
Employer's pension contributions	<u>5,734</u>	<u>5,272</u>
	<u>74,560</u>	<u>71,227</u>
<b>Total emoluments paid to key management personnel</b>	<u>138,708</u>	<u>132,308</u>

#### Management Board member emoluments

No member of the Management Board received any emoluments in respect of their services to the Association

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

#### 7 SURPLUS FOR FINANCIAL YEAR

	2020	2019
	£	£
Surplus is stated after charging:-		
Depreciation - tangible owned fixed assets	2,057,943	2,022,045
Loss on disposal of components	34,446	10,297
Remuneration of auditor for audit services	12,000	11,446
Operating lease rentals - other	6,584	7,050
Loss on disposal of other tangible fixed assets	-	-
Gain on disposal of housing property	<u>(288,694)</u>	<u>(38,138)</u>

#### 8 GAIN ON SALE OF HOUSING STOCK

	2020	2019
	£	£
Sale proceeds	449,377	46,727
Cost of sales	<u>160,683</u>	<u>8,589</u>
Gain on sale of housing stock	<u>288,694</u>	<u>38,138</u>

#### 9 INTEREST PAYABLE

	2020	2019
	£	£
Loan interest payable	<u>493,283</u>	<u>504,258</u>

No interest has been capitalised.

#### 10 TAXATION

The Association is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2012 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Association is potentially exempt from taxation in respect of income and capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

#### 11 NON-CURRENT ASSETS HOUSING PROPERTY

	Letting properties			Total
	Complete	Under construction	Shared ownership	
	£	£	£	£
<b>Cost</b>				
As at <b>1 April 2019</b>	84,813,570	4,628,198	876,344	90,318,112
Additions during the year	1,456,870	946,908	-	2,403,778
Transfers during the year	1,525,731	(1,525,731)	-	-
Disposals during the year	<u>(115,976)</u>	<u>-</u>	<u>(148,409)</u>	<u>(264,385)</u>
As at 31 March 2020	<u>87,680,195</u>	<u>4,049,375</u>	<u>727,935</u>	<u>92,457,505</u>
<b>Depreciation</b>				
As at <b>1 April 2019</b>	22,514,068	-	391,125	22,905,193
Provided for year	1,966,368	-	15,915	1,982,283
Eliminated on disposals	<u>(5,238)</u>	<u>-</u>	<u>(64,018)</u>	<u>(69,256)</u>
As at 31 March 2020	<u>24,475,198</u>	<u>-</u>	<u>343,022</u>	<u>24,818,220</u>
<b>Net Book Value</b>				
As at 31 March 2020	<u>63,204,997</u>	<u>4,049,375</u>	<u>384,913</u>	<u>67,639,285</u>
As at <b>1 April 2019</b>	<u>62,299,502</u>	<u>4,628,198</u>	<u>485,219</u>	<u>67,412,919</u>

Total works expenditure on existing housing properties amounted to £1,456,870 (2019: £103,350) of which £1,378,178 (2019: £78,612) was capitalised in respect of component replacements. There were no amounts capitalised in respect of improvements (2019: nil).

There were no amounts capitalised, during the year, in respect of loan interest (2019: nil)

All land and buildings included above are wholly owned by the Association.

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

#### 12 NON-CURRENT ASSETS

##### OTHER TANGIBLE FIXED ASSETS

	Office property £	Plant & equipment £	Office equipment £	Motor vehicles £	Total £
Cost					
As at <b>1 April 2019</b>	694,516	1,014,733	256,957	26,639	1,992,845
Additions	<u>-</u>	<u>21,420</u>	<u>9,580</u>	<u>-</u>	<u>31,000</u>
As at 31 March 2020	<u>694,516</u>	<u>1,036,153</u>	<u>266,537</u>	<u>26,639</u>	<u>2,023,845</u>
Depreciation					
As at <b>1 April 2019</b>	190,030	210,438	221,171	15,401	637,040
Charge for year	<u>11,968</u>	<u>51,808</u>	<u>9,073</u>	<u>2,810</u>	<u>75,659</u>
As at 31 March 2020	<u>201,998</u>	<u>262,246</u>	<u>230,244</u>	<u>18,211</u>	<u>712,699</u>
<b>Net book value</b>					
As at 31 March 2020	<u>492,518</u>	<u>773,907</u>	<u>36,293</u>	<u>8,428</u>	<u>1,311,146</u>
As at <b>1 April 2019</b>	<u>504,486</u>	<u>804,295</u>	<u>35,786</u>	<u>11,238</u>	<u>1,355,805</u>

#### 13 INVESTMENTS

	2020 £	2019 £
Share in West Highland Futures Limited	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

West Highland Futures Limited is a wholly owned subsidiary of the Association. During the year West Highland Futures Limited made a loss of £(13,883) (2019: loss of £(18,862), which was deducted from reserves, bringing total reserves to £(72,509).

In the opinion of the Management Board the aggregate value of the assets of the subsidiaries is not less than the aggregate of the amount at which those assets are stated in the Association's Statement of Financial Position.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 14 DEVELOPMENT COST OF HOUSING PROPERTY

	2020	2019
	£	£
Development cost of properties for sale	1,524,596	2,098,971
Social housing and other grant received	<u>(847,967)</u>	<u>(1,530,910)</u>
	<u>676,629</u>	<u>568,061</u>

### 15 RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Arrears of rent and service charges	186,835	172,894
Bad debt provision	<u>(110,479)</u>	<u>(97,379)</u>
	76,356	75,515
Social Housing Grant	349,282	472,378
Other receivables	113,516	522,071
Amounts due from group undertakings	<u>158,073</u>	<u>230,623</u>
	<u>697,227</u>	<u>1,300,587</u>

### 16 PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Housing loans	1,660,764	641,318
Trade payables	415,855	1,030,539
Rent in advance	36,709	37,830
Social Housing Grant repayable	1,801,955	1,841,363
Other taxation and social security	16,754	14,460
Amounts due to group undertakings	298,035	-
Accruals and deferred income	<u>441,113</u>	<u>508,112</u>
	<u>4,671,185</u>	<u>4,073,622</u>

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

17 PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR	2020	2019
	£	£
Housing loans	<u>12,934,080</u>	<u>14,620,134</u>
In respect of loans above:		
within one year	1,660,764	641,318
within one to two years	588,597	624,291
within two to five years	1,881,029	2,016,357
in five years or more	<u>10,464,454</u>	<u>11,979,486</u>
	14,594,844	15,261,452
Less amounts shown in current payables		<u>(1,660,764)</u> <u>(641,318)</u>
	<u>12,934,080</u>	<u>14,620,134</u>

The Association has a number of long-term housing loans and the terms and conditions are as follows:

Bank	Interest rate	Redemption date	Type
Royal Bank of Scotland	1.60%	2041	variable
Royal Bank of Scotland	5.41%	2026	fixed
Royal Bank of Scotland	4.57%	2039	fixed
Royal Bank of Scotland	1.20%	2037	variable
Clydesdale Bank	5.37%	2030	fixed
Clydesdale Bank	2.50%	2037	variable
Clydesdale Bank	2.11%	2037	variable
Nationwide Building Society	1.15%	2018	variable
Nationwide Building Society	1.15%	2030	variable
Nationwide Building Society	1.15%	2028	variable
Nationwide Building Society	1.15%	2031	variable
Nationwide Building Society	1.15%	2025	variable
Nationwide Building Society	1.26%	2031	variable
Nationwide Building Society	1.15%	2033	variable
Nationwide Building Society	1.15%	2038	variable
Nationwide Building Society	1.15%	2037	variable
Nationwide Building Society	1.15%	2032	variable
Nationwide Building Society	1.50%	2039	variable
Energy Trust	3.5%	2023	fixed
Energy Trust	3.5%	2021	fixed
Energy Trust	3.5%	2023	fixed
CAF Bank	1.95%	2042	variable
Argyll and Bute Council	2.88%	2042	fixed

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 18 DEFERRED INCOME

	2020 £	2019 £
<b>Social Housing Grants</b>		
Balance as at 1 April	49,448,078	54,068,101
Additions in year	172,256	1,034,702
Released as a result of land and property disposal	(73,646)	(4,436,535)
Amortisation during year	<u>(1,270,053)</u>	<u>(1,218,190)</u>
Balance as at 31 March	<u>48,276,635</u>	<u>49,448,078</u>
<b>Other Grants</b>		
Balance as at 1 April	1,304,176	1,258,122
Additions in year	598,569	72,000
Amortisation during year	<u>(37,917)</u>	<u>(25,946)</u>
Balance as at 31 March	<u>1,864,828</u>	<u>1,304,176</u>
Total	<u>50,141,463</u>	<u>50,752,254</u>

### 19 SHARE CAPITAL

	2020 £	2019 £
Shares of £1 fully paid and issued		
As at 1 April	115	119
Issued in year	5	2
Cancelled in year	<u>(13)</u>	<u>(6)</u>
As at 31 March	<u>107</u>	<u>115</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 20 RESERVES

Revenue reserve

	2020 £	2019 £
As at 1 April	7,440,146	6,776,058
Surplus for the financial year	845,202	791,088
Other comprehensive income for the financial year	<u>217,000</u>	<u>(127,000)</u>
As at 31 March	<u>8,502,348</u>	<u>7,440,146</u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 21 PENSIONS

#### Defined Contribution Scheme

The Association offers all staff membership of the SHAPS Defined Contribution Scheme, with employer contribution rates of up to 8% of pensionable salaries.

As at the year end, there were 19 active members (2019: 17) of the Defined Contribution Scheme employed by the Association. Employer contributions during the year amounted £42,108 (2019: £36,312). As at the year end there were outstanding contributions of £11,932 (2019: £10,818) were payable to the fund and are included in creditors

#### Defined Benefit Scheme - Past Service Liability

West Highland Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to 28 February 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting years from 31 March 2020 to 28 February 2021 inclusive.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 21 PENSIONS - (continued)

#### Principal Actuarial Assumptions

	2020	2019
Discount rate	2.40%	2.55%
Inflation (RPI)	2.85%	2.35%
Inflation (CPI)	1.85%	3.35%
Salary Growth	2.50%	2.35%
Allowance for cash commutation	75% of maximum allowance	75% of maximum allowance

Mortality Assumptions adopted at 31 March 2020 imply the following expectancies  
Life expectancy at the age of

	65
Male retiring in 2020	21.5 years
Female retiring in 2020	23.2 years
Male retiring in 2040	22.8 years
Female retiring in 2040	24.5 years

#### Amounts recognised in Statement of Financial Position

	2020 £'000	2019 £'000
Fair value of scheme assets	2,096	1,841
Present value of benefit obligation	2,159	(2,169)
Deficit in the scheme	(63)	(328)
Other amounts recognised	-	-
Net pension liability	(63)	(328)

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 21 PENSIONS (continued)

#### Defined Benefit Costs recognised in Statement of Comprehensive Income

	2020 £'000	2019 £'000
Administration costs	2	2
Net interest on net defined benefit obligation	<u>8</u>	<u>11</u>
Costs recognised in Statement of Comprehensive Income	<u>10</u>	<u>13</u>

#### Changes in Defined Benefit Obligation

	2020 £'000	2019 £'000
Opening Defined Benefit Obligation	2,169	1,920
Expenses	2	-
Interest Expense	55	60
Actuarial Losses (Gains) due to scheme experience	69	278
Actuarial Losses (Gains) due to changes in demographic assumptions	(13)	-
Actuarial Losses (Gains) due to changes in financial assumptions	(100)	-
Benefits Paid	<u>(23)</u>	<u>(89)</u>
Closing Defined Benefit Obligation	<u>2,159</u>	<u>2,169</u>

#### Change in Fair Value of scheme assets

	2020 £'000	2019 £'000
Opening Fair Value of Scheme Assets	1,841	1,675
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	173	151
Interest income	47	47
Employer Contributions	58	57
Benefits Paid	(23)	(89)
Administration costs	-	-
Closing Fair Value of Scheme Assets	<u>2,096</u>	<u>1,841</u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 21 PENSIONS (continued)

#### Defined Benefit Costs recognised in Other Comprehensive Income

	<b>2020 £'000</b>
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	173
Experience gains and losses arising on the plan liabilities - gain (loss)	(69)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	13
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	100
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	217
Total amount recognised in Other Comprehensive Income - gain (loss)	217

#### The major categories of Scheme assets as a total of plan assets are as follows:

	<b>2020</b>	<b>2019</b>
Global Equity	288	296
Absolute Return	129	156
Distressed Opportunities	38	31
Credit Relative Value	50	32
Alternative Risk Permia	168	103
Fund of Hedge Funds	-	5
Emerging Market Debt	75	59
Risk Sharing	66	53
Insurance linked securities	56	48
Property	39	37
Infrastructure	124	77
Private Debt	42	24
Opportunistic Illiquid Credit	51	-
Corporate Bond Fund	153	129
Liquid Credit	55	-
Long Lease Property	51	22
Secured Income	116	64
Over 15 Year Gilts	27	47
Index Linked All Stock Gilts	-	-
Liability Driven Investments	552	656
Net Current Assets	16	2
Total	2,096	1,841

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 22 OBLIGATIONS UNDER LEASES

The future minimum payments under non-cancellable operating leases are as follows:

	2020 £	2019 £
Within one year	9,818	4,834
In two to five years	14,314	5,876
in over five years	-	-
	<u>24,132</u>	<u>10,710</u>

### 23 OPERATING LEASE ARRANGEMENTS AS LESSOR

The Association leases surplus office space. These leases have terms of less than 1 year and there is no provision to change the amount. Future minimum rentals receivable under these leases are as follows:

	2020 £	2019 £
Within one year	9,625	9,345
In two to five years	-	-
	<u>9,625</u>	<u>9,345</u>

The Association leased biomass boilers to West Highland Futures Limited. With effect from 1 April 2020 the lease was terminated West Highland Futures as part of a restructuring of the management and supply of biomass heating services. Future minimum rentals receivable under these leases are as follows:

	2020 £	2019 £
Within one year	-	46,001
In two to five years	-	175,663
in over five years	-	-
	<u>-</u>	<u>221,664</u>

### 24 CAPITAL COMMITMENTS

As at the year end the Association had capital commitments in respect of amounts contracted for but not provided for in these financial statements as follows:

	2020 £	2019 £
Contracted but not provided for	<u>3,072,097</u>	<u>1,693,554</u>

This expenditure will be funded by Social Housing Grant and by loans secured on the Association's developments

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

#### 25 CONTINGENT LIABILITY

In connection with the development of 50 properties at Dunbeg, which was carried out in partnership with Link Housing Association, the Association has entered into a bond in favour of Argyll and Bute Council for the amount of £40,000. The bond relates to an obligation imposed under the development's planning conditions for the construction of a playpark for community recreation within five years of the commencement of the development. This extended period was agreed on the understanding that although the planning condition was attached to the initial development of 50 properties, the agreement with the council also relates to the additional planned development of a further 50 properties.

#### 26 HOUSING STOCK

The number of units in management at 31 March 2020 was as follows:-

	<b>2020</b>	<b>2019</b>
	No.	No.
Property for rent	795	787
Shared ownership	16	20
Property for rent managed for LinkHousing Association	33	33
Rent to buy *	50	50
	<u>894</u>	<u>890</u>

\* the rent to buy properties are managed by the Association on behalf of Link Housing Association

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2020

### 27 RELATED PARTIES

Members of the Management Board are related parties of the Association as defined by Financial reporting Standard 102.

The related party relationships of the members of the Management Board are summarised as set out below.

Management Board members cannot use their position to their advantage and any transactions between the Association and any entity with which a Management Board member has a connection is made at arm's length and under normal commercial terms.

There is one member of the Management Board, who is a tenant of the Association. During the financial year the rent charged to the Management Board member was £4,272 (2019: £4,189). As at 31 March 2020 there were no amounts due to the Association (2019: nil).

Management Board members Anne Horn, Andrew Vennard and Elaine Robertson are councillors with Argyll and Bute Council. Any transactions with Argyll and Bute Council are carried out at arm's length, on normal commercial terms and none of the above councillors can use their position to their advantage. Councillors who are members of the Management Board declare their interests relating to relevant decisions taken by the Association

As a wholly owned subsidiary of Link Group Limited the Association is exempt from the requirements of FRS 102 to disclose details of transactions with other members of the group headed by Link Group Limited, Link House, 2C New Mart Road, Edinburgh, EH14 1RL.

### 28. ULTIMATE CONTROLLING PARTY

The Association's parent undertaking as at 31 March 2020 was Link Group Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014, registered with the Financial Conduct Authority, registration number 1481RS. Link Group Limited exercises dominant control through its ability to control the majority of the membership of the Management Board.

Link Group Limited's accounts can be obtained from

Registered Office  
2C New Mart Road  
Edinburgh  
EH14 1RL

Website  
[www.linkhousing.org.uk](http://www.linkhousing.org.uk)

Email  
[linkhousing@linkhousing.org.uk](mailto:linkhousing@linkhousing.org.uk)